

# ALERT

## BENEFIT LEGISLATION

Volume II, Number 2

### ***Legislative Provisions Affecting CalSTRS Benefits as of March 5, 2002***

Each year, legislation is introduced that would, if enacted, improve benefits paid to some CalSTRS members who retire in the future. If you are considering retiring soon, you might be interested to know what bills of this type are being considered this year. These bills are summarized below to assist you in your retirement planning. Since all legislative proposals are subject to change during the legislative year, please see the box on page two for informational resources to help you keep current on the latest benefit provisions.

#### ***Benefit Legislation Alert***

summarizes only the benefit-increasing provisions that apply to CalSTRS members retiring in the future. Some benefit-increasing proposals that affect CalSTRS members, but are not dependent on when a member retires, have been introduced in the state Legislature. However, those provisions are not included here.

Generally, when legislation becomes law, unless the bill states otherwise, the benefits will become effective on the next January 1 and apply to members who retire on or after the bill's effective date.

Some laws passed in 2002 increasing benefits to future retired CalSTRS members will only affect members retiring after 2002. Summaries of those provisions are included here.

### **Governor's Budget Proposal for CalSTRS**

In his initial budget announced in January 2002, Governor Gray Davis proposed deferment of the state's General Fund contribution to CalSTRS for 27 months. The funds were to be repaid over a 30-year period. Under this proposal, the Governor would also have increased CalSTRS benefits. The Governor has withdrawn this proposal.

### **Proposed Bills Under Consideration**

#### **AB 1744 (Corbett)**

In addition to conforming California state law with the retirement provisions of the recently enacted federal tax relief bill (EGTRRA), AB 1744 permits members retiring between January 1, 2002, and up to 120 days after the enactment of the state conformity legislation to purchase service credit using rollover funds allowed under EGTRRA if the purchase is completed in 2002. The legislation becomes effective the day the Governor signs the bill.

#### **AB 2451 (Salinas)**

Permits part-time credentialed community college employees to have the value of unused sick leave at the time of retirement credited to the CalSTRS Defined Benefit Supplement account, Cash Balance



Benefit Program account or alternative retirement plan account.

## **AB 2646 (Liu)**

Eliminates the 25-year credited service requirement to have final compensation based on highest 12 consecutive months rather than highest 36 months.

## **Enacted Legislation Taking Effect in the Future**

### **AB 2456 (Wright) Chapter 897, Statutes of 2000**

Beginning April 1, 2002, a member retiring for service after that date and before 2011 and after age 60 can elect to receive a portion of his or her CalSTRS retirement benefit as a lump sum in exchange for a lower monthly allowance. The lump-sum amount that will be available to members is limited and is based on the monthly allowance payable at retirement. The amount of the monthly allowance reduction cannot exceed 15 percent.

### **AB 2700 (Lempert), Chapter 1021, Statutes of 2000**

Beginning July 1, 2002, all compensation for creditable service performed on and after that date will be creditable to CalSTRS. This includes compensation for summer school, intersession, overtime, allowances and bonuses. Compensation that will now be creditable will be credited to the Defined Benefit Program as additional credited service, up to one year. Member and employer contributions for more than one year of service in any school year will be credited to the member's Defined Benefit Supplement account.

### **SB 1435 (Johnston) Chapter 1032, Statutes of 2000**

CalSTRS pays the Medicare Part A premium for members who are not eligible for premium-free Medicare Part A on their own and who retire through December 31, 2005. Eligibility for this benefit is limited to members who (1) retired from districts that have conducted or are conducting the Medicare election by the time the member retires, and, (2) if the member was under age 58 at the time of election and had elected Medicare coverage.

### ***Keep Current on Legislative Changes for Informed Decisions***

While CalSTRS makes every effort to keep its members informed about changes in its benefit structure, it cannot safely predict what the Legislature and Governor may do that might be of interest to you.

For this reason, you should keep yourself informed about possible benefit changes by consulting the CalSTRS website ([www.calstrs.ca.gov](http://www.calstrs.ca.gov)) or the CalSTRS Public Service Office (800-228-5453), CalSTRS retirement counselors, your union representative (if applicable), your legislative representative and any other source that you believe would be helpful before you make any final decision about retirement.

You are ultimately responsible for any decision you make in regard to your CalSTRS benefit.

